

2011-2012 PERFORMANCE PLAN – Sr. Investment Officer, Asset Allocation & Risk Mgmt. (F. Majeed)

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All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Chief Executive Officer, Chief Actuary, General Counsel and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
40%	Total Fund Performance	Excess return deviation in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-13 basis points = 0 +13 basis points = 1.0 27 basis points = 1.5
20%	Active Asset Allocation Performance	Active asset allocation return above 0 as calculated by Wilshire {(Program Policy Allocation – Program Actual Allocation)*(Program Policy Return – Total Return/100} Subject to restriction of performance measurement limited to public asset classes only.	-13 basis points = 0 +7 basis points = 1.0 17 basis points = 1.5
60%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
12.5%	Risk Management	<u>Risk Management</u> By June 30, 2012, establish a comprehensive risk management system and practices to measure, manage, and communicate investment risks to enhance risk adjusted returns of the fund. Including the following: <ul style="list-style-type: none"> • Conduct quarterly risk review with each asset class/program. • By December 2011 implement new investment risk management system. • By June 2012 implement Risk Budgeting framework at the total fund and asset class levels. • By June 2012 define and implement processes for using information from the new risk system to enhance decision making at the fund level. 	From schedule

Incentive Schedule:

Total Fund: FY 2012-13: Target, 0/20/30

Active Asset Allocation Performance: FY 2012-13: Target, 0/10/15

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
10%	Leadership	<p><u>Enterprise-wide Leadership and Management</u> By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> • Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12. • Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012. • Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012. • Maintain a 90% EPAD completion rate. • Address and resolve all outstanding audit findings within 12 months of audit report. • Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12. • Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews. • Complete the Executive D&I Development Journey course, including completion of all pre- and post-session work assignments. • Conduct at least two direct report team sessions on diversity and inclusion awareness. • Effectively manage all Operational resources within prescribed budget limits. • Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter <p><u>Investment Office Leadership and Management</u> By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> • Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity. • Participating in training, communication, and recognition activities and events. <p><u>Team Participation – Cross Asset Class Collaboration</u> By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>	From schedule

Incentive Schedule:

Total Fund: FY 2012-13: Target, 0/20/30

Active Asset Allocation Performance: FY 2012-13: Target, 0/10/15

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
12.5%	Capital Allocation	<u>Capital Allocation</u> By June 30, 2012, lead the implementation of a risk based allocation in a dynamic/scenario based approach. Including the following: <ul style="list-style-type: none"> • Complete a factor-based investing research project and then develop implementation plan based on research results. • By June 2012 implement new risk based asset allocation framework reports for ISG and the Board. • Develop a process for selection of strategic partners to manage multi-asset portfolios, including completion of project rationale, strategy and process definition subject to CIO direction. • Standardize annual capital allocation models for the private asset classes. • Obtain Investment Committee approval for new asset allocations for: <ul style="list-style-type: none"> ○ Long-term Care fund; ○ Three new California Employers' Retiree Benefit Trust funds; ○ Judges' Retirement System fund; and, ○ Legislatures' Retirement System fund. 	From schedule
5%	Investment Strategy Group	<u>Investment Strategy Group</u> <ul style="list-style-type: none"> • By June 30, 2012, provide leadership in implementation, governance, best practice and decision making impacting overall Investment Office performance. • Coordinate ISG agenda, discussions and decisions to achieve above. 	From schedule
45%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Incentive Schedule:

Total Fund: FY 2012-13: Target, 0/20/30

Active Asset Allocation Performance: FY 2012-13: Target, 0/10/15